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**GROUP LOAN AND SOCIO ECONOMIC ATTRIBUTES OF BORROWERS: THE CASE OF EAST GOJJAM ZONE**

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**ABSTRACT**

*The study has been designed with an objective of assessing the socio economic attributes of group loan borrowers of ACSI in east gojjam zone. In this study questionnaire and interview has been used to collect data from the respondents. The data was collected from six woredas. The survey result indicated that group loan is an important tool to improve the education level and purchasing power of the household members; however, it is not helping them in improving their health care service. In addition, the study results showed that group loan borrowers are not able to start self-financing operation and they will stay for a long period client to their lender.*

**KEYWORDS**

ACSI, East Gojjam, group loan, micro finance, socioeconomic attribute.

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**1. INTRODUCTION**

In the recent periods so many mechanisms are implemented by microfinance institutions to reduce poverty. One of the tools experienced from different arena of the world is loans extended to poor's. Microcredit program is the way adapted by micro finances to reach poor's and escape them from poverty (Mark M. Pitt, 2002). One of the mechanisms used by ACSI to extend loan to poor's is group lending program.

The explosion of group lending programs around the world is a recent phenomenon. While a few group loan institutions were operating in the 1970's, a production of such programs occurred in the 1980's and continues to accelerate in the 1990's. Nearly all of the programs are NGO sponsored credit-first approaches. Interest in the utilization of groups originated from an increased knowledge of informal financial arrangements using groups.

Group lending is a type of micro credit that was pioneered in Bangladesh by Grameen Bank. It has been said to be one of the most powerful tools in third world development making credit available to people who lack the access to formal financial markets.

Group lending in ACSI is a type of loan extended to urban and rural poor's in group which contains three up to five members. In this study the researchers were consider only the rural poor's.

In September 2000, building upon a decade of major United Nations conferences and summits, world leaders came together at United Nations Headquarters in New York to adopt the United Nations Millennium Declaration, committing their nations to a new global partnership to reduce extreme poverty and setting out a series of time-bound targets, with a deadline of 2015, that have become known as the Millennium Development Goals. The first of these goals (MDG 1) states that the proportion of people with an income of less than \$1 a day shall be halved relative to what it was in 1990. Between 1990 and 2001 the headcount ratio of poverty for all Least Developed Countries (LDCs) fell from 27.9% to 21.1%, but the ratio for Africa actually increased from 44.6% to 46.4% (Ravallion and Chen, 2004). Against this background, it is not surprising that several recent papers argue that most African countries will not achieve the target of reducing poverty by half by 2015 [UNDP (2003); Naschold (2004)] as cited by (Sefa Kwami Awaworyi & Jeffery Korankye Danso 2010).

To understand poverty, poverty has to be defined, measured, and studied -- and even experienced. As poverty has many dimensions, it has to be looked at through a variety of indicators -- levels of income and consumption, social indicators, and indicators of vulnerability to risks and of socio/political access (Sefa Kwami Awaworyi & Jeffery Korankye Danso, 2010).

The Scottish Poverty Information Unit says Poverty generally is defined relative to the standards of living in a society at a specific time. People live in poverty when they are denied an income sufficient for their material needs and these circumstances exclude them from taking part in activities which are accepted parts of daily life in that society (Scottish Poverty Information Unit, 2007).

The World Bank Organization asserts that "The most commonly used way to measure poverty is based on incomes. A person is considered poor if his or her income level falls below some minimum level necessary to meet basic needs. This minimum level is usually called the "poverty line". What is necessary to satisfy basic needs varies across time and societies. Therefore, poverty lines vary in time and place, and each country uses lines which are appropriate to its level of development, societal norms and values."

At individual level, poverty is manifested by lack of stable income, insufficient amount of land, insufficient food supply and lack of education. At household level, poverty is manifested by the inability to take family members to clinics, the inability to provide children with food, schooling, and clothes, the inability to participate in local associations and *kebele* meetings. At community level, poverty is manifested by lack of infrastructure, lack of safe drinking water, climatic instability and insufficient education opportunity (Maru Shete, 2004).

Group lending program is the way used by microfinance institutions to reduce poverty. If an organization serves one person per household, however, then the household level rate is relevant. For example, if a microfinance organization serves only one person in a household, then it might prefer to report household-level poverty rates. This use of household-level rates reflects the belief that they are the relevant measure for most pro-poor organizations (A Simple Poverty Scorecard for Ethiopia<sup>2</sup> Mark Schreiner and Shiyuan Chen, 10 April 2009). Thus, this paper considers poverty at household level.

So poverty is the focus of the current governments around the world specially African countries, with the help of their developmental partners; and the paper will investigate the success of those supporting programs (Group-lending program) in escaping poor's from poverty.

**2. REVIEW OF LITERATURE**

There are two bodies of literatures in the analysis of poverty. One is the literature on the concepts and measurements of poverty, and the second is on the analysis of determinants of poverty.

**CONCEPTS OF POVERTY AND SOCIO ECONOMIC WELL-BEING**

Poverty is a repetitive object of research that can be defined in several ways. It affects many aspects of human conditions like economic, social, physical, moral, psychological etc. As a result, there are different approaches in the conceptualization of poverty. One pair of approach comprises the "Welfarist" and the "Non-Welfarist" approach. While the former aims at defining the concept of wellbeing on the basis of the link that exists between income and utility or standard of living, the later approach focuses little on utility (Sen, 1976). Following either of the two, different individuals defined poverty differently. For instance, Townsend (1985) defined poverty not just as a failure to meet minimum nutrition levels but also as a failure to keep up with the standards of living prevailing in a society.

Sen (1987) also relates poverty to entitlement failures to various goods and services. Rowntree (1901) has developed poverty standards on the basis of nutritional and other requirements.

World Bank (1996), on the other hand, sees poverty in very broader terms as being unable to meet “basic needs” including food, health, education, shelter, etc. Economists, however, often prefer to view the concept of well-being in terms of the “Welfarist” approach. That is to say, they take expenditure on goods and services consumed by individuals valued at market prices so as to categorize a person as “poor” or “non-poor”. This money metric utility is derived from the neo-classical theory of consumer behavior. Therefore, in this case, poverty is said to exist in a given society when people are unable to obtain the minimum basic requirements necessary to sustain life of individuals.

According to the World Bank (1990), such kind of conceptualization of individual’s well-being in terms of standard of living measures seems pragmatic in developing countries, where much emphasis is given on food security and consumption deprivation. But, in developed societies, non-materialist aspects like the right to voting and/or participation could seem more realistic in understanding levels of societal well-being.

Another approach to define poverty is to see societal well-being from the perspective of severity as “chronic” and “transient”. Structural (chronic) poverty is defined as persistent or permanent socio-economic deprivations of the population whereas transitory poverty is temporary socio-economic deprivations (Jalan and Ravallion, 1998). The former is linked to a host of factors like lack of skill, lack of productive resources, socio-political and cultural factors, etc. The later, on the other hand, is linked to natural and man-made disasters and is easily reversible. These all imply that there are various approaches towards the conceptualization and definition of poverty and well-being. However, there are essentially three broad categories to the definition of poverty. These are:

#### **ABSOLUTE POVERTY**

In the absolute poverty, people are defined as poor when some absolute needs are not sufficiently satisfied. In other words, it is the cost of a bundle of food items that are necessary to ensure the fulfillment of a predetermined energy requirement and other non-food basic requirements. Based on such definitions of the concept of poverty, there are different methods of defining the absolute poverty line.

According to MoFED (2002b), poverty line is a threshold level of per capita income/ consumption or a cut of living standard level below which an individual is considered to be poor. The most common method of constructing the absolute poverty line, according to Rowntree (1901), is the Cost of Basic Needs (CBN) approach, which defines absolute minimum requirements in terms of basic needs such as food, clothing, housing, health care, education, etc. So, poverty means lack of command over the stated basic needs, and the poverty line is the minimum cost of these basic needs. Under the basic needs approach, poverty lines are set by computing the cost of food basket that would enable poor households to meet the nutritional requirements at regional prices, and adding to it an allowance for the non food consumption (Ravallion and Bidani, 1994 and Ravallion and Sen, 1996).

#### **RELATIVE POVERTY**

In relative poverty definition, a person is said to be poor if she/he has less than what others have. In the definition of the relative poverty line, the fraction of mean or median income or percentiles of income distribution technique is employed. It is set either at one-half, one-third or two-third of the mean or median income or percentile of the income distribution. The percentile of income distribution involves classification of the population into different quartiles depending on the proportion chosen by the researcher. Finally, the researcher decides that the population in the last one or two quartiles to be considered as poor with the corresponding cut off income level as a relative poverty line.

According to Ravallion (1992), the major weakness of this method is that it is not clear whether the method is an indicator of poverty or measurement of income inequality. In addition, it is highly subjective in which the results obtained are localized that makes inter societal comparison difficult.

#### **SUBJECTIVE POVERTY**

In the subjective poverty definition, the identification of the poor and the non-poor depends on the subjective judgment of individuals about what constitutes a socially acceptable minimum standard of living in their own societies. Hence, unlike the above approaches, subjective poverty line depends directly on the opinion and feeling of the concerned individuals to determine the minimum level of income for themselves. The result of this approach may sometimes be misleading as it takes purely an account of individuals’ or groups’ own declaration about their position.

### **3. SIGNIFICANCE OF THE STUDY**

It is important for the management of ACSI (Amhara Credit and Saving Institution) by indicating the weak side of the program and the management team may use it as a base to take corrective actions based on the indications of the study.

To policy makers of the program to know how this program is operated and achieve its objective; so the paper could answer their question by looking on the role of the program in escaping poor’s from poverty.

### **4. STATEMENT OF PROBLEM**

Since the last two decades, as part of the global and national initiatives, the government of Ethiopia together with its development partners has been pushing to a development with aim of achieving a broad based and sustained economic growth. In light of the strategy, objective of reducing the depth and extent of chronic poverty over time, a strong system of Monitoring and Evaluation has been put in place to monitor progress in poverty reduction. Consequently, the issue of Welfare Monitoring in the country arose as part of the Economic Reform Program (ERP) (HICES -Household Income and Consumption Expenditure Survey, 2010/11).

According to the 2010/11 HICES, the proportion of poor people (poverty head count index) in the country is estimated to be 29.6% in 2010/11. In 2010/11, while the proportion of the population below the poverty line stood at 30.4% in rural areas, it is estimated to be 25.7% in urban areas. The poverty gap index is estimated to be 7.8% while it is 8.0% for rural areas and 6.9% for urban areas. Similarly, the national level poverty severity index stood at 0.031 with rural poverty severity index (0.032) being slightly higher than that of urban areas (0.027). Between 2004/05 and 2010/11, income (consumption) inequality measured by Gini Coefficient has shown a slight decline from 0.3 in 2004/05 to 0.298 in 2010/11. Inequality as measured by the coefficient has declined in urban areas from 0.44 to 0.37, while rural inequality increased from 0.26 to 0.27 though inequality is still higher in urban than in rural areas. But the poverty level is still high in the rural areas.

The decline in rural poverty can be attributed to the wide-ranging and multi-faceted pro-poor programs that have been implemented in rural areas such as extension of improved agricultural technologies and farming practices, commercialization of smallholder farming agriculture, rural infrastructural development and a range of food security programs (productive safety net programs, provision of credit etc). Despite the substantial declining of poverty over the past five years, poverty remains high at 29.6 percent. So the poverty alleviation is still the challenging area of the country in achieving its MDGs within the specified time. One of the supporting programs implemented in Ethiopia in alleviating poverty is Group-lending program to poor’s through microfinance’s and its role is summarized in number of studies as follows.

Many advantages to group lending are cited in the literature. An often cited justification for group lending is that it provides financial returns, especially to women who have no other means of exerting their independence. (Berenbach and Guzman (1993), Khandker, Khalily, and Khan (1994), Goldberg and Hunte (1995)) as cited by Julia Anne Paxton (1996). The argument is that group credit gives women self-esteem, mutual trust, empowerment, and other “psychic benefits.”

For rural women who have very limited knowledge about the outside world except through family members, participation in group activities may mean information gathering (Khandker, Khalily, and Khan (1994)), as cited by Julia Anne Paxton (1996).

Sefa Kwami Awaworyi & Jeffery Korankye Danso (2010) found that participation in the microfinance program has enabled clients to improve upon their income level as well as their standard of living as compared to the non-clients. The study concluded that microfinance plays an active role in reducing poverty in Ghana. Mark M. Pitt, (2002), also found out that poor women’s participation in the group lending program increases consumption.

An evaluation study undertaken by Asian Development Bank (2007), found that participation in microcredit has Consistent mildly positive impacts on per capita total expenditures and per capita food expenditures of poor’s. However, the impact on per capita income and expenditures was found to be regressive (i.e., the impact was negative on households with per capita incomes of less than P (pesos) 34, 428, and become positive only for households with per capita incomes above P 56,200). This result is similar to other studies on the provision of microcredit in Bangladesh, India, Indonesia, Sri Lanka, and northeastern Thailand. The finding

suggests that targeting microfinance on the poorest households may not be the most appropriate way to help them escape poverty. The projects selected by the poorest households to finance with microcredit loans did not generate sufficient profit to increase household income.

A similar conclusion was also arrived at by an earlier review in Meyer (2002). Surveying available evidence for Asian countries, he concluded that while there seems to be an overall positive effect on income and education, results differs substantially across countries and programs both in magnitude as well as statistical significance and robustness.

Sefa Kwami Awaworyi & Jeffery Korankye Danso (2010) states Microfinance over the years has been considered to be one of the most effective and flexible strategies in the fight against global poverty. It is said to be sustainable and can be implemented on the massive scale necessary to respond to urgent needs of those living on less than \$1 a day, the World's poorest. GHAMFIN, (2005) it has been seen to be promoting economic growth since loans given are supposedly used in investing in micro business. This statement is not entirely true because funds from microfinance according to Ditcher (2007) as cited by Sefa Kwami Awaworyi & Jeffery Korankye Danso (2010) have been mostly used for consumption rather than business development. This defeat the whole purpose of micro-finance which is supposed to help alleviate poverty through granting small loans to those considered as "uncredit-worthy" to better their living standards.

Jean-Marie, Baland Rohini, Somanathan & Zaki Wahhaj (2010) states, the Grameen Bank of Bangladesh first popularized group loans in the 1970s and similar approaches were subsequently adopted by hundreds of organizations across the world. It was believed that joint liability would generate social pressure on borrowers to repay loans and help create a financially sustainable model of lending. In recent years, this strategy has been questioned and individual loan contracts have become an integral part of microfinance.

Group lending has been proposed as a tool for alleviating poverty in developing countries. The success of group lending has been attributed to its ability to mitigate asymmetric information and enforcement problems in the credit market Moh'd Al-Azzam and Sudipta Sarangi (2007).

It is a widely spoken word by the leaders of developing countries and a written statement in the Missions of Micro finance institutions; that MFIs has an objective to alleviate poverty through their lending programs. Based on the empirical studies and theoretical literatures reviewed, the researcher motivated to investigate the success of group lending program in escaping poor's from poverty and improve the socioeconomic attributes of borrowers in East Gojjam Zone by conducting a study on the customers of ACSI.

## 5. OBJECTIVES OF THE STUDY

The general objective of the study is to investigate the socioeconomic Status of Group Loan Borrowers. To achieve this the following specific objectives are dissected:

1. To identify the socioeconomic attributes of households that participates in the group lending program.
2. To investigate whether group borrowers are able to settle their joint liability and start self financing operation.

## 6. RESEARCH HYPOTHESES

The hypothesis's to be tested are the following:

H0: Group- lending program is not successful in escaping poor's from poverty.

## 7. RESEARCH METHODOLOGY

### 7.1. STUDY DESIGN

Research's can be done through different types of researches' design such as explanatory, exploratory, descriptive and casual. So since the main objective of this paper is to investigate the success of group-lending program in escaping poor's from poverty the research design used is explanatory to explain the role of group lending in poverty reduction. The result discussed both quantitatively and qualitatively, and then the research type is both quantitative and qualitative (mixed).

### 7.2. DATA SOURCE AND TYPE

The data source was the target population of the study, i.e. the group-lending program customers of ACSI in East Gojjam Zone and annual reports of ACSI. The data type includes both primary and secondary, but the study was mainly relying on primary data.

### 7.3. DATA COLLECTION TECHNIQUES

The primary data was collected through questionnaire, Interview and group discussion. The questionnaire was distributed to the sample group borrowers and the interview and group discussion was conducted with sample group representatives. Useful secondary data was extracted from annual reports of ACSI.

### 7.4. SAMPLE AND SAMPLING TECHNIQUES

In east Gojjam zone there are 20 woredas and in these woredas there is one branch/sub branch of ACSI. However, for the purpose of this study the researcher selected six woredas (*Yejobe, Debre Elias, Sinan, Machakil, Enemay and Gozamin*). From the six branches available in each woreda the researcher took 6 sample groups using simple Random sampling; and then in each group there are five members, though there were 30 respondents per branch/ strata. The total sample size was 180 borrowers from six branches. Using probability sampling is reasonable because the population included in the sample is homogeneous and it is very important technique to eliminate bias in sample selection.

### 7.5. DATA ANALYSIS TECHNIQUES

The data collated through the collection techniques discussed was coded tabulated; then tasted and analyzed through descriptive statistics to identify the socio economic attributes of borrowers and to investigate whether they are able to settle their loan and start self financing.

## 8. RESULTS AND DISCUSSION

### 8.1. THE SOCIOECONOMIC ATTRIBUTES OF HOUSEHOLDS THAT PARTICIPATES IN THE GROUP LENDING PROGRAM

#### 8.1.1. THE IMPACT OF GROUP LOAN ON THE SOCIO ECONOMIC STATUS OF HOUSEHOLD

Lack of finance is one of the major bottlenecks that constrained the poor from engaging in meaningful and gainful activities. In response to this, the recent shift in development paradigm focused on the provision of microfinance services to the poor in order to protect them from adversities of poverty. The expectation is that access to microfinance provides better chance of involving in farm, non-farm and micro and small enterprises activities. As the result of this households could increase and diversify their income, ensure food security and reduce poverty. At the household level impact may be measured by the net increase in household income, savings, asset accumulation, housing conditions, expenditure, diet, education, health condition and improve decision making capacity(empowerment) (Abebe T, 2006).

Table 1 indicates that the respondents are believe that the loan service provided by micro finances around them helped them to improve the education culture of the family as indicated in the table those respondents who were agreed with this idea accounts 55% of the samples. However significant number (45%) of the respondents responded that the loan does not provide any improvement on the education level of the family. Thus the survey result revealed that the group loan provided to poor's is somehow successful in improving the education level of poor's but still significant number of the respondents were not improved their family education level through the help of the loan.

In case of accessing good health facilities at the time of illness 95% of respondents indicated that they do not have better health care because of the loan. But 5% of the respondents said that they were able to access better health care service in case of illness because of the loan. The survey finding showed that the group loan service does not successful in helping poor's to improve their health care service at the time of illness. In terms of improving purchasing power of the family member 70% of the respondents believed that the loan service helped them. But 30% of the respondents were not able to improve the purchasing power of the family member through the loan facility. 35% of the respondents agreed that they can able to met the expectation of the family members through the loan facilities but 65% of the respondents indicated that they do not use the loan to met the expectation of the family members. The survey data showed that the loan is useful in helping poor's to improve their purchasing power but still a few numbers of respondents does not helped through the loan to improve their purchasing power. Regarding the role of the loan in handling the expectation of the family member the loan is not successful.

Regarding the consumption improvement of the household only 15% of the respondents were believed that the loan helped them to improve their consumption expenditure. The survey result shows that the loan does help poor's to improve their consumption.

Only 5% of the respondents were responded that the loan helped them to increase the saving of the household through the loan service; but the significant number of the respondents (i.e. 95%) their income does not increase through the help of the loan. As the survey data result showed that the loan is not successful in helping poor's to increase their income and saving.

Significant number of the respondents which accounts 85% of sample respondents was agreed that the loan helped them to use modern agriculture inputs; but 15% of sample respondents were said that the loan was not helped them to use modern agriculture inputs in their agricultural activity. Regarding the expansion of cultivable land 45% of the respondents were agreed that the loan was helped them to expand cultivable land; however 55% of the respondents were responded that it does not helped them to increase their cultivable land. The survey data showed that the loan is successful in helping poor's in using modern agriculture inputs but it is not that much important to expand their cultivable land.

In case of the loan as a tool to escape from poverty 85% of the respondents were indicated that the service is the best way to escape from poverty and they added that it will be the best if the loan is utilized wisely but 15% of the respondents were not believe that the loan is not the best way to escape from poverty. The survey data revealed that the group loan borrowers were believed that the group lending program is successful to reduce poverty if the poor's are use the loan economically (insert table 1 here).

### 8.1.2. IMPACT OF THE LOAN ON THE HOUSE STANDARD AND ASSET OF HOUSEHOLD

Housing is an important or basic asset for households. Ownership of houses and improvements in it improve living standard of the household. The assumption is that households may have better housing ownership and improve their houses after getting the loan. If households have enough capital through loans, they will invest it in income generating activities. It is expected that they will increase their income and have better capacity to improve and build their own houses (Abebe T, 2006).

As indicated in table 2 respondents reported that the loan does not helped them to construct their own dwelling house since 100% of the respondents indicated that they were have their own house before getting the loan. Regarding the construction material they were used only 58.4% of the respondents constructed their house using the standardized construction inputs. Even though the loan is not helped them to have their own house initially it is indicated by the respondents the loan is helping them to improve their house and 87.3% of the respondents reported that the loan was helped them to improve their house. 14% of the respondents who were improve their house through the loan were repair their house; the majority of the respondents who were improved their house were expanded the house, 18% of the respondents who were improved their house were rebuild their house and the remaining respondents (13%) were made other improvements such as constructing cattle house separately & constructing standardized kitchen. Thus the as per the survey data even though the loan is not helped them to have dwelling house initially it plays important role in improving their house.

Table 2 indicated also that the loan was helped borrowers to have oxen/cows; 83.4% of the respondents indicated that they were able to be the owner of oxen/cows through the help of the loan; and the majority of them (53.8%) were purchase oxen/cows to use in the agricultural activity and from them significant number of the respondents (87%) were finally sold the ox/cow to settle their liability and a few number of the respondents (11%) but a very important point indicators were sold their ox/cow to purchase their consumption. Thus the survey finding revealed that the loan helped borrowers to purchase oxen and harvest their land but still they were sold their oxen to settle the liability and purchase their consumption which shows there is still siren light in the life of the borrowers. Only a few numbers of the respondents were indicated that 1.1%, 10%, 5%, 3% & 9.7% the loan was helped them to acquire basic agriculture materials, table, modern bed, table and tape/radio respectively but still large number of the respondents were not own the above assets indicated except basic agricultural materials both before and after the loan. Thus survey data revealed that the loan dose not successful in helping them to acquire the above assets (insert table 2 here).

### 8.1.3. IMPACT OF THE LOAN ON THE HOUSEHOLD CONSUMPTION EXPENDITURE AND DIET

Group lending program is primarily focused on poor's to improve the living style of them. It obvious that household with higher income has the capacity to expend more for a better life. However, in Ethiopia especially in the rural area households were unable to cover their consumption expenditure. Thus group lending program is designed by micro finance institutions to reduce poverty and escape them from the poverty line. Thus looking on the consumption expenditure and the diet system of rural households before and after the loan is important indicator to conclude whether the loan has an impact on it.

Table 3 showed 78.6% of the respondents' average monthly expenditure of the household before the loan is between 201 and 300 birr and a few number of respondents (12%) average monthly expenditure of the household before the loan is between 301 and 400 birr. Large number of the respondents (63.8%) reported that the average monthly expenditure of the house holed was increased after the loan and the remaining respondents believed that the loan do not make any change on their consumption expenditure. Regarding number of meals in a day most of the respondents (92.2%) indicated that the household had meals three times in a day and a few number of the respondents (7.8%) indicated that the household had meals two times in a day. Large number of the respondents (74.1%) indicated that after the loan their number of meals in a day was improved and from them 96.35 Of the respondents believed that the loan helped them to improve their number of meals in a day. The survey results find out that the loan helped the borrower to improve both their consumption expenditure and number of meals in a day (insert table 3 here).

### 8.2. THE CONSULTATION SERVICE, SUPPORT AND TRAINING TO BORROWER FROM LENDERS

The consultation service, support and training given to borrowers from lenders are one of the important things to help borrowers in the utilization of the loan. Table 4 showed that the respondents do not get any training from the lender. But the respondents respond that they get consultation service from the lender and the consultation services are about loan utilization, producing commercial products, and commercial activity. The above table also showed that about the implementation of the consultation service only 21.7% of the respondents indicated that they were exercise the consultation service they got but large number of the respondents (79.3%) reported that they do not use the consultation service they got. Regarding the follow up from the lenders to borrowers 45% of the respondents respond that there is follow up from the lenders and the remaining respondents believe that there is no follow up from the lender. Only 3% of the respondents respond that the lenders made follow up on the activity of the borrowers only one times in one loan term and 1.7% of the respondents respond that the lenders made follow up on the activity of the borrowers two times in one loan term. However large number of the respondents (95.3%) indicated that the lenders made follow up occasionally. As indicated in the above table 96.6% of the respondents reported that the consultation and follow up service provided by the lender is good and 5.4% said that it is very good. The survey data result revealed that the borrowers do not get any training from the lender but at the time of taking the loan and during the periodic meetings the lenders were providing consultation service to borrowers about loan utilization but according to the respondents themselves still there is the problem of implementing the consultation service they get. The other point that can be understand from the survey result, there is lack of follow up from the lenders to check what is actually done by borrowers by the money took from them (insert table 4).

### 8.3. THE CAPACITY OF GROUP LOAN BORROWERS TO SETTLE THEIR JOINT LIABILITY AND START SELF FINANCING OPERATION

Debt itself by definition is a way of financing some activity through getting money from other source with interest charge; it may be from formal or informal sources. Such way of financing can have used when there is lack of capital to run an activity trough using own capital and sometime business companies may enter in to debt financing to magnify the earning of shareholders through leverage. But the group lending program is a type of loan provided to the poor who are unable to run their regular activity without such loan. So to investigate whether this program is successful in helping poor's in starting self financing activity the researchers were raised some questions which would answer how the borrowers are capable enough in settling their liability and starting self financing activity.

Table 5 indicated that large numbers of the respondents (72%) were stayed as customer 6 up 8 years and a few number of respondents (25%) were stayed as loan customer for 3 up to 5 years and a very few respondents (3%) stayed more than 8 years as customer. Regarding loan utilization most of the respondents were used the loan to purchase oxen (33%) and goat and sheep (25%) and also 5%, 4%, 11% and 22% of the respondents were use the loan for consumption expenditure, ox fattening, mini trade and other purpose respectively. Regarding paying the loan on time all of the respondents were paid their loan on time and from these 65% of the respondents were paid their loan from the household income directly and the remaining respondents were paid their loan from other sources; of them 5% through selling durable assets, 35% through borrowing at cost, 25% through the help of group members, and 35% through borrowing from relatives. The reason for coming again to take loan for those who are able to pay from household income directly responded that they can't to run the next operation without loan (87.1%), to increase household income through doing mini trade (2.9%) and to sell crop products at good price by financing immediate expenditure through the

loan (10%). Regarding settling the liability and starting self financing operation most of the respondents (67.2%) indicated that they are unable to start self financing operation and they will continue as a loan client of the institution but 32.8% of the respondents were believed that they can start self financing operation. So the survey data resulted showed that group loan borrower are not able to start self financing operation and they will stay as long period client to the institution (insert table 5).

## 9. RECOMMENDATIONS

Based on the findings of the research, the following suggestions or recommendations are made:

- Regularly provide technical assistance and training to all clients or beneficiaries on how to wisely use the loan services to their advantage is the very important thing that the lender should consider.
- Ensure that whether borrowers are used the money taken to its intended purpose or not.
- Borrowers should utilize their loan properly to escape from poverty.

## 10. CONCLUSION

The survey result revealed that the group loan provided to poor's is somehow successful in improving the education level of poor's but still significant number of the respondents were not improved their family education level through the help of the loan. The study also finds out that the group loan service does not successful in helping poor's to improve their health care service at the time of illness but the loan is useful in helping poor's to improve their purchasing power however still a few numbers of respondents does not help through the loan to improve their purchasing power and consumption.

The study finds out that the loan is successful in helping poor's in using modern agriculture inputs but it is not that much important to expand their cultivable land. The study revealed that the group loan borrowers were believed that the group lending program is successful to reduce poverty if the poor's are use the loan economically. The survey finding revealed that the loan helped borrowers to purchase oxen and harvest their land but still they were sold their oxen to settle the liability and purchase their consumption which shows there is still siren light in the life of the borrowers. Thus survey data revealed that the loan dose not successful in helping them to acquire the above assets.

The study revealed that the borrowers do not get any training from the lender but at the time of taking the loan and during the periodic meetings the lenders were providing consultation service to borrowers about loan utilization but according to the respondents themselves still there is the problem of implementing the consultation service they get. The other point that can be understand from the survey result, there is lack of follow up from the lenders to check what is actually done by borrowers by the money took from them.

Finally, the study resulted showed that group loan borrowers are not able to start self-financing operation and they will stay as long period client to the institution.

## 11. SCOPE OF THE STUDY

The study focus on the investigation of the success of group lending program in escaping poor's from poverty on the customers of ACSI at east gojjam zone. To escape poor's from poverty there may be number of developmental mechanisms to implement (such as, improved agricultural technologies and farming practices, commercialization of smallholder farming agriculture, rural infrastructural development and a range of food security programs, provision of specialized credit, etc.), but this study focused on the group lending program implemented by microfinance institutions.

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APPENDICES

TABLES

TABLE 1: RESPONSE OF RESPONDENTS ON THE ROLE OF THE LOAN ON THEIR SOCIO ECONOMIC STATUS (N= 180)

No.	Question	Response percentage	
		A*	DA**
1	The loan helps me to improve the education level of the household	55	45
2	The loan facilitated to get better facilities in case illness	5	95
3	Purchasing power increased after getting the loan	70	30
4	Expectations of family members have been met through loan	35	65
5	Consumption has improved by getting loan	15	85
6	Saving has increased after getting the loan	6	94
7	It helps me to use modern agriculture inputs	85	15
8	It helped me to increase the cultivable land	45	55
9	It is the best way to escape from poverty	85	15

Source: 2014 Survey data (\*: Agree; \*\*: Disagree)

TABLE 2: RESPONSE OF RESPONDENTS ON THE ROLE OF THE LOAN ON THEIR HOUSE STANDARD AND ASSET OWNERSHIP (N= 180)

Questions	Indicators	Percent of respondents
Do you have your own house before the loan?	Yes	100
	No	
If "yes" for the above question what are the construction inputs	Grass, wood, mud, iron sheet/ tin	42.6
	Wood, mud, iron sheet/corrugate iron	57.4
	Wood, mud, Stone, cement, bricks, iron sheet	1
Do you have made any improvement on the house after the loan?	Yes	87.3
	No	12.7
If "yes" what kind of improvement	Repair/Maintain	14
	Expansion	55
	Rebuild	18
	Other	13
Does the loan help you to have oxen/cows?	Yes	83.4
	No	16.6
If "yes" for what purpose you own oxen/cows	Plough the land/agricultural activity	43
	Fattening & sale	3.2
	Agricultural activity & finally sold	53.8
If "Agricultural activity & finally sold" what is the reason to sale them	To pay the loan on time	87
	Because the ox/cow is too old	2
	To purchase consumption	11
	Other	
Assets	Before loan	After loan
	Percent	Percent
Basic Agricultural Materials	98.9	1.1
Chair		10
Table		5
Modern Bed		3
Radio/Tape	5	9.7

Source: 2014 survey data

TABLE 3: RESPONSE OF RESPONDENTS ON THE ROLE OF THE LOAN ON THEIR CONSUMPTION EXPENDITURE AND DIET (N= 180)

Questions	Indicators	Percent
What was average monthly expenditure of the household before the loan?	Below 100 birr	
	101-200 birr	3
	201-300 birr	78.6
	301-400 birr	12
	401-500 birr	3
	Above 500 birr	3.4
Do you believe that monthly average expenditure of the household increased after the loan?	Yes	63.8
	No	36.2
Number of meals in a day the family had before the loan	1 times	
	2 times	7.8
	3 times	92.2
	More than 3 times	
Number of meals in a day the family had after the loan is improved	Yes	74.1
	No	25.9
If "yes" does the improvement because of the loan	Yes	96.3
	No	3.7

Source: 2014 survey data

TABLE 4: RESPONSE OF RESPONDENTS ON THE CONSULTATION SERVICE, SUPPORT AND TRAINING TO BORROWER FROM LENDERS (N= 180)

Questions	Indicators	Percent
Do you get any training from the lender?	Yes	100
	No	
Do you get any consultation service from the lender?	Yes	100
	No	
If yes what type of consultation	Loan utilization	85
	Producing commercial products	65
	Commercial activity	55
Do you implement the consultation service you get in your activity?	Yes	21.7
	No	78.3
Do you get any follow up from the lender regarding loan utilization?	Yes	45
	No	55
If yes how many times they follow up you in one loan term	1 times	3
	2 times	1.7
	3 times	
	4 times	
	Occasionally	95.3
How do you get the follow-up and consultation service?	Very good	5.4
	Good	96.6
	Satisfactory	
	Bad	

Source: 2014 survey data

TABLE 5: RESPONSE OF RESPONDENTS ON THEIR CAPACITY TO SETTLE THEIR LIABILITY AND START SELF FINANCING OPERATION (N= 180)

Questions	Indicators	Percent
How long you stay as loan client with this institution?	1-2 year	
	3-5 year	25
	6-8 year	72
	More than 8 year	3
For what purpose you take the loan?	Consumption expenditure	5
	Goat & sheep fattening	25
	Plough ox	33
	Ox fattening	4
	Doing mini trade	11
	Other	22
Do you pay your loan on time?	Yes	100
	No	
If you say "yes" how do you pay it?	From household income	65
	From other source	35
If you say "From other source" how?	Selling fixed assets	5
	Borrowing at cost	35
	Through the help of group members	25
	Other (borrowing from relatives)	35
If you say "From household income" why do you come again to take the loan?	I can't to run the next operation without loan	87.1
	To increase household income through doing mini trade	2.9
	Other (to sell crop products at good price)	10
Do you believe that you are able to start self-financing after settling the current loan?	Yes	32.8
	No	67.2

Source: 2014 survey data

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